

**Office of the Comptroller of the Currency's
Data Reliability and Validity
Under the Results Act**

OIG-00-065

March 06, 2000

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. section 552.



Office of Inspector General

United States Department of the Treasury



OFFICE OF
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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MEMORANDUM FOR JOHN D. HAWKE JR., COMPTROLLER
OFFICE OF THE COMPTROLLER OF THE CURRENCY

FROM: Dennis S. Schindel *Dennis Schindel*
Assistant Inspector General for Audit

SUBJECT: Office of the Comptroller of the Currency's
Data Reliability and Validity Under the Results
Act

This memorandum transmits the final report on our audit of the Office of the Comptroller of the Currency's (OCC) systems and controls to ensure that performance information reported under the Government Performance and Results Act of 1993 (the Results Act or GPRA) is reliable and valid.

During our audit, we found that information for 9 of the 10 performance measures contained some type of error that would affect data reliability or validity. These errors consisted of inaccurate data, incomplete information or use of different definitions for a single data element. We also believe that five measures would benefit from additional disclosures relative to certain limitations and/or clarifications. To better ensure data reliability and validity, we make six recommendations that OCC reassess the adequacy of underlying information systems, processes and controls to meet the Act's performance reporting requirements.

In response to our draft report, OCC largely agreed with our findings and recommendation. OCC is continuing to refine its performance measures to better meet the Results Act goals for the year 2000. In addition, OCC has placed responsibility for performance reporting under the Deputy Chief Financial Officer. OCC also anticipates further consideration of the Office of Inspector General's (OIG) audit recommendations as they continue to perform GPRA requirements. The complete text of the response is presented in an appendix of the report.

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The OIG believes OCC's current and planned actions will improve performance reporting under the Results Act. It is important to recognize that the intent of our report was to focus management attention on the controls, processes and information systems used in performance reporting. Such attention should continue irrespective of specific performance measures being reported under the Results Act.

We appreciate the courtesies and cooperation provided to our staff during the audit. Should you have any questions or require any further assistance, please call me at (202) 927-5400, or a member of your staff may contact Benny W. Lee, Director, Program Audits, in San Francisco, California at (415) 977-8810 ext. 222.

Attachment

cc: Laura McAuliffe
Director, Management Improvement

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Overview

This report summarizes our audit of the Office of the Comptroller of the Currency's (OCC) systems and controls to ensure that performance information reported under the Government Performance and Results Act of 1993 (the Results Act) is reliable and valid. This audit is one in a series of planned Office of Inspector General (OIG) audits of Treasury bureaus efforts to meet the Results Act. We recognize that OCC is continuing to refine its performance measures to better meet the Results Act goals for the year 2000. As such, the audit conclusions presented in this report are intended to help OCC develop a systematic process for ensuring that performance data are reliable and valid when the March 2000 reporting requirement becomes effective.

Background

The Results Act holds Federal agencies systematically accountable for achieving program results. Specifically, Federal managers are required to establish performance-based management systems, which set goals, measure performance and report on progress. Federal agencies were required to develop strategic plans prior to Fiscal Year (FY) 1998, prepare annual plans setting performance goals beginning with FY 1999, report annually on actual performance compared to goals with the first report due March 2000 and include actual program performance results for the past 3 fiscal years in annual reports beginning in FY 2002.

To fulfill the intent of the Results Act, a Federal agency's reported performance data must be reliable and valid. Since errors may occur at any point in the collection, maintenance, processing, and reporting of data, an agency should have procedures in place to address each step of the process. To ensure completeness, accuracy and consistency of performance data, an agency is to implement verification and validation procedures, identify data limitations and disclose in the performance plans and reports how the limitations may affect the credibility of the performance information. The audit findings presented in this report are intended to assist OCC better ensure that performance data are accurate, complete and consistent.

Objective, Scope and Methodology

Our audit objective was to review OCC's information systems and controls to ensure that the underlying data used to report performance was reliable and valid. This entailed reviewing the data collection and control processes for 10 of OCC's mid-year 1998 performance measures. In selecting the measures to be reviewed, we placed greater emphasis on measures related to OCC's mission--that is, ensuring bank safety and soundness and assuring fair access to financial services for all Americans.

Table 1 shows OCC's 4 strategic goals, its associated performance measures as of June 1998 and whether the measure was included in our review.

Table 1
OCC Performance Measures
as of June 1998

Strategic Goal/Performance Measure	Included In Our Review
<u>Ensure bank safety and soundness</u>	
1. Complete the development of the Quality Assurance (QA) program for large banks.	
2. Percentage of banks comprising the quality assurance review sample for community and mid-size banks receiving a quality assurance assessment of "satisfactory" or better.	X
3. Percentage of examinations started on schedule.	X
4. Percentage of year 2000 (Y2K) examinations completed compared to the total number of banks and applicable outside data servicers.	
5. Ratings on the Bankers Satisfaction index.	X
6. Percentage of Prompt Corrective Action directives, enforcement agreements and memorandum of understandings removed.	X
<u>Foster competition</u>	
7. Rating on customer satisfaction in connection with the licensing process.	X
8. Average processing time for analysis of customer complaints.	
<u>Improve the efficiency of bank supervision and reduce burden by streamlining supervisory processes</u>	
9. Percentage of time meeting the application processing time frames.	X
10. National bank assessments compared to national bank overhead expenses.	
11. Percentage of OCC systems that are Y2K compliant.	
<u>Assure fair access to financial services for all Americans</u>	
12. Amount of community development lending by national banks.	X
13. Amount of community development investment by national banks.	X
14. Amount of home mortgage loans to low to moderate income (LMI) persons and areas.	X
15. Percentage of national banks receiving compliance examinations.	X

Source: OCC Performance Plan CY 1998

Our audit focused on data systems and controls used to collect performance data for the Calendar Year (CY) 1997 annual and 1998 mid-year performance reports. We interviewed cognizant managers and staff at OCC headquarters in Washington, D.C. and at OCC district offices in San Francisco, California, and New York, New York. We also used the General Accounting Office's (GAO) guides for assessing agency performance activities and to identify OCC data collection and control issues.¹

To assess data reliability and validity we:

- identified the necessary data and source documents for each data element of each measure (for example, the data for the measure on timeliness of application processing was based on the Corporate Activities Information System (CAIS) printout of 3,066 applications decided in 1997),
- consulted with the OIG statistician on OCC's statistical methodologies used for 4 measures,
- tested data to ensure that it was accurate and that it reflected actual performance starting with aggregate figures at OCC headquarters and tracing them to the district offices, and
- reviewed the data collection and control processes for each measure.

Because our audit was limited to 2 of the 6 district offices, we did not attempt to project our results nationwide. It should be noted, however, all 6 OCC districts would have been reporting data for the same performance measures and would have been subject to the same national reliability and validity reporting standards. We did not test data OCC obtained from external sources, such as the Federal Financial Institutions Examination Council (FFIEC), nor did we evaluate whether OCC was using the most appropriate measures available to gauge performance.

¹ *Agencies' Annual Performance Plans Under The Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking* (GAO/GGD/AIMD-10.1.18), February 1998; *The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans* (GAO/GGD-10.1.20), April 1998. *Performance Plan for Calendar Year 1998* (GAO/GGD-98-189R), September 15, 1998.

Our audit work was conducted between July and December 1998. We coordinated our audit with GAO's review of OCC's CY 1998 annual performance plan. We conducted this audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such audit tests as were determined necessary.

Audit Results

OCC has made notable progress toward developing performance measures and information processes for setting performance goals, comparing actual results with established goals, assessing results and reporting them in annual performance plans. The agency also tested data collection and reporting processes and prepared annual performance reports with comparative data for CY 1996 to 1998. Since we began our audit, OCC has continued to refine the measures and systems for gathering, identifying and reporting the performance data. As such, our audit focused on OCC's information systems and processes so that our observations and recommendations would be germane even if OCC determines the need to further refine the performance measures.

To better ensure accurate performance reporting, OCC will need to focus more on the information systems and controls when collecting, assembling and reporting data. By comparing source documents to reported data, we found that information for 9 of the 10 performance measures contained some type of error that would affect data reliability or validity. These errors consisted of inaccurate data, incomplete information or use of different definitions for a single data element. We also believe that 5 measures would benefit from additional disclosures relative to certain limitations and/or clarifications. The nature and extent of these data errors and why they arose is summarized in Table 2 below. A detailed analysis for each measure is also provided in appendices 1-10.

Table 2
Summary of Observed Data Errors

Performance Measure	Type of Reporting Error(s)	Value Reported by OCC	OIG Observed Value	Cause(s) of Observed Difference
Percentage of mid-size and community banks QA reviews with a rating of "satisfactory" or better. Also see appendix 1, page 11.	a)Incomplete data b)Inconsistent data	95% satisfactory projected by end of CY 1998	Could not fully test reported percentage	a)Mid-size banks excluded because measure lacked definition b)Rating criteria not weighted to reflect the more critical factors
Percentage of exams started on schedule. Also see appendix 2, page 14.	Inconsistent data	92%	Between 79 and 96%	Different dates and source documents used
Percentage of enforcement actions removed. Also see appendix 3, page 17.	Inaccurate data	12%	16%	No systematic verification of data source, i.e., Supervisory Monitoring System (SMS) data
Rating on customer satisfaction with the licensing process (i.e., based on a 5 point rating scale). Also see appendix 4, page 19.	a)Incomplete data b)Data limitations not disclosed	1.17 rating	Could not fully test reasonableness of reported value	Reported rating based only on a 30 to 35% response rate
Percentage of time meeting the application processing time frames. Also see appendix 5, page 21.	a)Inaccurate data b)Data limitations not disclosed	96% on time	Possibly greater than 96% on time	a)Data entry errors into CAIS b)Included applications for situations outside of OCC control
Amount of community development lending by national banks. Also see appendix 6, page 23.	a)Inaccurate data b)Incomplete data c)Data limitations not disclosed	No data reported by OCC	Not determinable	a & b)OCC identified reporting errors during on-site reviews c)Banks under \$250 million in assets not subject to reporting these loans
Amount of community development investment by national banks. Also see appendix 7, page 25.	a)Inaccurate data b)Data limitations not disclosed	\$1.0 billion	Not determinable	a)Data entry errors, used unreliable estimates rather than actual amounts reported b)Reported amounts not all inclusive, amount of shared investments not disclosed
Amount of home mortgages to LMI persons and areas. Also see appendix 8, page 28.	a)Inaccurate data b)Incomplete data c)Data limitations not disclosed	Not reported by OCC	Not determinable	a & b)OCC identified reporting errors during on-site exams c)Banks under \$250 million in assets not subject to reporting these loans
Percentage of banks receiving compliance examinations. Also see appendix 9, page 30.	a)Inaccurate data b)Inconsistent data	8%	10%	a)Lag time in data entry into SMS b)Different dates and source documents used
Ratings on the Bankers Satisfaction index. Also see appendix 10, page 32.	None	1.27 rating	1.27 rating	Not applicable

Source: OIG Analyses of OCC CY 1997 and mid-year 1998 Performance Plans

Accuracy of Performance Data

One example of inaccurate performance data was the number of compliance examinations conducted for the first quarter of 1998. OCC reported 216 examinations, but we found that at least 251 had actually been completed. This 16 percent difference was due to the timing of entering data into the Supervisory Management System (SMS). In some instances, information was not being entered into SMS until several months after the examination was completed. Thus, the number of completed examinations was understated.

Another example of inaccurate data was actually brought to our attention by OCC during the audit. OCC was relying on the FFIEC for information to report on the amount of community development lending by national banks. However, OCC compliance examiners found that some large banks were forwarding erroneous data to FFIEC. Moreover, OCC determined that the extent of these reporting inaccuracies were extensive enough to warrant issuing an October 1998 Advisory Letter (AL 98-16) to all national banks advising them about these reporting problems.

Consistency of Performance Data

Another data error entailed reporting inconsistent performance data. We found that most of the examinations we tested were started on schedule. To be specific, 22 of the 28 examinations sampled were started timely. However, one examination exceeded the examination cycle by 109 days. The reasons for the untimeliness could not be ascertained from available documentation. We could not determine whether 5 examinations were started on schedule because of the lack of supporting documentation. In reviewing the supporting documents, we found that different examination starting dates had been entered into the SMS. These dates are used in calculating the percentage of examinations started on schedule. (Also see appendix 3.) Dates entered into SMS as the start date included the date of the OCC engagement letter, request letter, scope memorandums, time and travel reports, logs of mailed reports and dates specified in the Report of Examination. The underlying problem was that existing OCC guidance, *Examining Circular (EC-263) SMS Documentation Policy* dated December 1992, provided general information but did not specify the events or source documents that should be used. A review of the examination closing dates showed that the same condition existed.

Completeness of Performance Data

We found that incomplete performance data collected and reported was an issue for the quality assurance (QA) measure. The universe of possible QA examinations did not include mid-size banks even though the measure stated community and mid-size banks were covered. According to OCC management, there were 2 reasons for this. First, OCC is developing a new QA performance measure, which will include both mid-size and large banks for performance reporting. The existing measure will be used for community banks only.

Second, OCC has had difficulty defining a mid-size bank. One general guideline is bank asset size, with banks in the range of \$1 to \$15 billion qualifying as mid-size. Another guideline is that the type of supervision a bank needs determines whether it is mid-size. For example, a community bank may have assets in excess of \$1 billion and still operate as a small bank. OCC is attempting to make the mid-size bank definition more clear for supervisory, as well as, reporting purposes. In effect, until the large-bank QA program is completed, OCC does not have a QA reporting process for mid-size banks. Thus, the data reported could inadvertently mislead users of the information.

Data Limitations

In testing some of the measures, we determined that several measures needed additional disclosures as to certain limitations with the reported measures. For example, in reporting on the timely processing of applications, OCC included instances where their processing time was not within their control. Timeliness in processing applications is a top concern of bankers and OCC. To ensure goals are met, OCC has established target time frames for each application type and records the progress of each application.

For CY 1997, OCC reported application processing time was met 96 percent of the time. We reviewed the CAIS printout of 3,066 applications decided in 1997, which included 124 applications that missed the application processing time frame. In verifying those instances where a time frame was missed, we determined that some delays were not due to OCC processing delays, but rather external factors, such as legal or supervisory concerns. Other examples include competing banks protesting the application and delays by the applicant bank in submitting needed documents.

OCC records showed that more than half of the applications missed their target decision dates (66 of 124) due to factors outside the control of the agency. OCC did not distinguish, however, between applications delayed due to causes within their control and outside of their control.

Factors Contributing to Data Errors

We found a variety of reasons for many of the data errors. For example, different dates and source documents were used for a single event as well as estimated rather than actual values. These varied reasons were, in turn, due to the absence of control features common to data systems and processes. For example, the need for consistent and specific definitions on what dates and source documents should be used when entering data into the SMS is a fundamental aspect of written procedures.

Although the reasons varied, we believe these errors and control weaknesses were also symptomatic of having to rely on existing information systems that were not originally designed to meet the requirements of the Results Act. Moreover, the sources of information used in collecting performance data varied from the automated SMS system to external data from the FFIEC to the internal manual compilation of customer satisfaction surveys.

OCC is to be commended in readily adapting existing information systems for Results Act reporting. Nevertheless, the observed data errors and limitations suggest the need for enhanced controls to meet both the added informational needs not originally contemplated before the Results Act and the Act's focus and requirement of performance reporting.

Recommendations

OCC continues to refine its efforts to meet the Results Act, such as which performance measures to use. But, OCC will need to pay greater attention to the underlying information systems, processes and controls to meet the Results Act's performance reporting requirements. Accordingly, we recommend that the Comptroller of the Currency:

- 1-1. Reassess the adequacy of existing controls for the various information systems and processes used for performance reporting;
- 1-2. In the interim, establish additional oversight at both the district and headquarters levels, focusing on the reported data errors until a risk assessment can be completed;
- 1-3. Take corrective action addressing the various reasons for the noted data errors in Table 2, such as issuing specific guidance on dates and source documents to be used, establishing timeframes for entering dates;
- 1-4. Review each performance measure to assess the need for additional disclosures relative to any data limitations and/or supplemental information for needed perspective;
- 1-5. Assess the need for a central control point that can systematically identify all information systems, including the underlying source documents, used in meeting the performance reporting requirements of the Results Act; and
- 1-6. Determine whether any of the noted data errors affect other critical reporting requirements that are not directly tied to the Results Act, such as the required examination frequency under the Federal Deposit Insurance Corporation and Improvement Act of 1991 (FDICIA).

Management Response and OIG Comment

OCC management largely agreed with the findings and recommendations cited above. They noted that OCC is continuing to refine its performance measures to better meet the Results Act goals for the year 2000. They also anticipate further consideration of the OIG's audit recommendations as they continue to perform GPRA requirements. Overall, the OIG anticipates that

OCC's actions will improve performance reporting under the Results Act. OCC's response and OIG comment to each of the specific recommendations is provided below. The complete text of OCC's response is contained in Appendix 11.

In response to the OIG's recommendations 1-1, 1-2, and 1-3, OCC management states that monitoring by the Bank Supervision supervisory data unit has served to improve performance data collection. In addition, a program of data integrity reviews by the Bank Supervision quality assurance unit has been implemented to improve consistency in data entry, timeliness and source documents. The OIG believes the assignment of responsibility for performance reporting under the Deputy Chief Financial Officer (CFO) should help focus attention on internal controls over various information systems and processes used in performance reporting. Further consideration of our recommendations, i.e., assessing the adequacy of existing controls, etc., by the Deputy CFO organization will be important in achieving the intent these recommendations.

Related to recommendation 1-4, OCC management states that five of the 10 performance measures the OIG reviewed are no longer used, four have been restated, and one has been converted to a customer service standard. OCC's new performance measures are more descriptive and potentially easier to quantify. As noted in the report, performance measures may change from year to year as the performance reporting process is refined. However, the focus of this recommendation is on the need for disclosure relative to any performance data limitations. For example, OCC's response cited that District offices had achieved minimum accuracy rates in Supervisory Monitoring System (SMS) reporting at a 90 percent level. If such accuracy is a material data limitation, OCC would need to assess and disclose the impact of this level of accuracy on performance reporting.

In response to recommendation 1-5, OCC management indicates they have assigned responsibility for their Results Act efforts to the Deputy CFO organization to ensure consistent leadership and staffing. The OIG believes OCC's action will satisfy the intent of the recommendation.

OCC management stated in response to recommendation 1-6 that they are not aware of any other critical reporting requirements not directly tied to the Results Act or CFO Act. In subsequent discussion, OCC clarified the point by saying that they were not aware of any specific reporting under FDICIA and that achievement of FDICIA required examination frequencies is reported as a performance measure by OCC under the Results Act. The OIG believes continued monitoring by OCC of reporting requirements and the reliability and validity of underlying data will achieve the intent of this recommendation.

QUALITY ASSURANCE REVIEW

Strategic Goal:

Ensure bank safety and soundness

Performance Measure:

"Percentage of banks comprising the quality assurance review sample for community and mid-size banks receiving a quality assurance assessment of 'satisfactory' or better"

OCC Reported:

In the 1998 mid-year performance plan, OCC projected that 95 percent of the sampled banks would receive a QA rating of "satisfactory" or better by the end of the calendar year.

Reporting Process:

The OCC has 6 districts with 6 Deputy Comptrollers and 70 Assistant Deputy Comptrollers. The Deputy Comptroller for each district appoints a team leader, who then assembles a QA team. The team includes examiners from inside and outside of the district under review in an effort to ensure independence. Quality Review teams use headquarters guidelines to certify annually that banks were effectively supervised and operating according to OCC policy.

At least 10 percent of the banks are selected for QA review. Team leaders choose a QA sample of community banks that includes certain types of banks and at least 1 with a high-risk rating. QA teams review the banks, compile the data into a single "Overall Quality Review Conclusions" spreadsheet and forward the spreadsheet to the Senior Program Administrator, who consolidates the data from all 6 districts onto a single worksheet. This worksheet is forwarded to officials within each district and Washington, D.C.

OIG Analysis:

We interviewed the Director of Quality Assurance, the Senior Program Administrator, as well as the Coordinators and team leaders at the Western and Northeastern Districts. We reviewed the workpapers for institutions comprising the QA samples, including 37 institutions in the Northeastern District and 58 institutions in the Western District. We reviewed the data collection and control process for the period July 1996 through June 1997, the most current QA reports available for our analysis.

Incomplete Data

We found that performance data collected and reported for the QA measure was not complete. OCC QA samples did not include mid-size banks even though the performance measure called for community and mid-size banks. According to OCC management, there were 2 reasons for this. First, OCC is developing a new QA performance measure, which will include both mid-size and large banks, and the existing measure will apply to community banks separately.

QUALITY ASSURANCE REVIEW

Second, OCC has had difficulty defining a mid-size bank. One general guideline is bank asset size, with banks in the range of \$1 to \$15 billion qualifying as mid-size. Another guideline suggests that the type of supervision or the bank's operations determine whether it is mid-size. For example, a community bank may have assets in excess of \$1 billion but still operate as a small bank. OCC is attempting to make the mid-size bank definition more clear for supervisory, as well as reporting purposes. In effect, until the large-bank QA program is completed, OCC does not have a QA reporting process for mid-size banks. Thus, the reported data could inadvertently mislead decision-makers and external users of the information.

Inconsistent Data

In our opinion, neither the QA rating criteria nor the rating scale adequately defined satisfactory performance. Inconsistent data could result from such QA guidance. The guidance stated that in order to conclude that overall supervision was satisfactory, a majority of the following 6 evaluative factors must be rated satisfactory:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

QUALITY ASSURANCE REVIEW

We found that the 6 evaluative factors were not of equal importance or weight and each could have a significant impact on overall supervision. Certain factors are so critical to evaluating overall supervision that 1 “unsatisfactory” rating could compromise the entire examination. For example, if the level of risk and quality of risk management that were applicable to a bank were not appropriately assessed by the examiners, overall supervision could be compromised. Cognizant QA team leaders told us that, in practice, they based the QA ratings on overall bank supervision rather than on the majority of evaluative factors. An OCC senior official said the agency recognized the problem and was in the process of redesigning the rating method.

With regard to the QA rating scale, specific guidance on use of the rating scale is needed to avoid inconsistent data. The gradations of quality that need to be taken into account to reflect actual performance were not provided. The examinations may be rated either “satisfactory” or “unsatisfactory.” Because of the extremely broad distinction between these 2 designations, examiners may have difficulty assessing true performance. An OCC senior official said they were in the process of changing the rating scale to include more gradations of quality.

Conclusion:

Overall, we found that the 95 quality assurance reviews we sampled were reported accurately using the current guidance. However, we found that the data reported was not complete nor was it consistent. The data reported was not complete because QA samples did not include mid-size banks. Moreover, clear guidance was needed for consistently rating overall supervision. A rating scale with additional rating designations would provide more distinction and allow examiners to make a more meaningful assessment of actual performance.

EXAMINATIONS STARTED ON SCHEDULE

Strategic Goal:

Ensure bank safety and soundness

Performance Measure

"Percentage of examinations started on schedule"

OCC Reported:

In the CY 1997 performance plan, OCC reported that 92 percent of examinations were started on schedule.

Reporting Process:

OCC reports information for examinations started on schedule based on SMS data. An official at the Northeastern District told us that the district has established source documents and dates that examiners and analysts should use as a basis for entering data in SMS. For example, the district's document to support the examination start date is the examination scope memorandum because it outlines the examiner-in-charge's strategy for conducting the examination. The best document to support the examination close date is the exit memorandum. To verify SMS data and test the integrity of the supervisory cycle, district analysts review self-audit reports, Assistant Deputy Controller (ADC) Exam Priority Analysis worksheets, or snapshot reports. The OCC Western District does not require any specific documents to independently support the examination start and close date entered into SMS.

OIG Analysis:

To test OCC's reported performance for CY 1997, we sampled 28 institutions in the Northeastern and Western Districts. As shown in Table 3, we compared the examination starting date to the prior closing date, then compared this result to the examination cycle to determine whether examinations were started on time. We found 1 examination that exceeded its cycle by 109 days. The reasons for the untimeliness could not be ascertained from available documentation. Of the other 27 examinations we could not determine whether 5 examinations were started on schedule because of the lack of supporting documentation.

Inconsistent Data

Although the sample of 28 institutions showed that most were started on schedule, we found that the source documents used for data collection were not consistent. Table 3 shows that OCC used various events and source documents as a basis for starting dates entered into SMS.

EXAMINATIONS STARTED ON SCHEDULE

Table 3
OIG Review of Examinations Started
in CY 1997

Bank Name	Starting Date		Prior Closing Date			Per Support Document # of Days Start to Prior Close	Exam Cycle (Days)
	Per SMS	Supporting Document	Per SMS	Supporting Document	Supporting Document		
<u>NORTHEASTERN DISTRICT</u>							
A	2/7/97	Memo to OIG	12/22/95	12/23/95	Time/Travel Report	412	730
B	2/3/97	Not Found	Not Listed	2/29/96	Exit Memo	340	365
C	1/1/96	Not Found	Not Listed	Not Found	N/A		365
D	6/9/97	ROE	8/15/96	Not Found	N/A		365
E	12/2/96	Scope Memo	Not Listed	12/7/95	Exit Memo	361	365
F	6/30/97	ROE	1/11/96	Not Found	N/A		365
G	2/18/97	Scope Memo	Not Listed	2/26/96	Exit Memo	358	365
H	11/17/97	Engagement Letter	11/7/96	11/7/96	ROE	375	365
I	8/25/97	ROE	10/10/96	10/10/96	Scope Memo	319	365
J	3/10/97	Time/Travel Rpt	5/2/96	4/25/96	Time/Travel Report	319	365
K	4/28/97	ROE	6/13/96	6/13/96	Time/Travel Report	319	365
L	11/3/97	ROE	12/15/96	Not Found	N/A		365
M	7/7/97	Scope Memo	8/1/96	Not Found	N/A		365
N	1/1/96	Not Found	Not Listed	Not Found	N/A		365
O	6/2/97	Engagement Letter	7/25/96	7/16/96	Time/Travel Report	321	365
<u>WESTERN DISTRICT</u>							
P	2/3/97	Log of Mailed Reports	10/20/95	10/18/95	Exam Worksheet	474	365
Q	12/2/96	Engagement Letter	3/5/96	2/1/96	Exit Memo	305	365
R	9/2/97	Not Found	9/26/96	9/25/96	ROE	341	365
S	11/12/96	Engagement Letter	1/11/96	12/20/95	Memo to OIG	328	365
T	1/13/97	Engagement Letter	1/11/96	1/4/96	Exit Memo	375	365
U	4/21/97	Engagement Letter	10/26/95	Not Found	N/A		548
V	10/14/97	Request Letter	10/28/96	10/18/96	Exit Memo	361	365
W	5/12/97	ROE	1/2/96	2/20/96	Memo to OIG	447	548
X	7/21/97	Engagement Letter	1/22/96	Not Found	N/A		548
Y	3/10/97	Engagement Letter	10/23/95	10/13/95	Exit Memo	514	548
Z	6/2/97	Request Letter Control Log	8/23/96	Not Found	N/A		365
AA	1/6/97	ROE	1/11/96	1/11/96	ROE	361	548
BB	9/22/97	Not Found	4/4/96	Not Found	N/A		548

Legend: Memo to OIG Support memorandum prepared by OCC for OIG audit
 N/A Not Applicable
 ROE Report of Examination
 Time/Travel Rpt Time/Travel Report
 Source: OIG analysis of OCC documents

EXAMINATIONS STARTED ON SCHEDULE

Even though the performance outcome was not affected, the inconsistent collection method may lead to errors in reporting performance. Thus, when we searched through supporting documentation, we had difficulty determining exact starting dates of examinations. To illustrate, OCC staff told us they used engagement letters as a source of starting dates. However, our analysis showed that the engagement letter was used as a source of starting dates in 8 of the 28 examinations. Various other source documents and dates used were request letters, scope memorandums, time and travel reports, logs of mailed reports and dates specified in the Report of Examination. In 5 instances, no supporting document could be found for the starting date.

The underlying problem was that existing OCC guidance, *EC-263 SMS Documentation Policy* dated December 1992, provided general information but did not specify the source documents or events that should be used. For example, the document defined examination starting and closing dates as follows:

- “Exam Start Date is the date the examination activity commenced, that is, the date examiners began work in the bank or began reviewing data for examination.”
- “Exam Close Date is the date examination activity is complete and the Analysis comments are ready for review by the signing authority.”

As for closing dates, OCC staff told us that exit memorandums should have been used as source documents. Instead, our analysis of the sample data showed that OCC used 7 different documents. Records provided to us indicated that OCC used exit memorandums as source documents in 7 of the 28 examinations.

Conclusion:

Our analysis of the sample data showed that the data OCC reported was accurate for at least 22 of the 28 banks sampled. Moreover, the data reported was not consistently collected. Without guidance clearly specifying precise documents to be used and clearly defining start and close dates for calculating examination completion time, the consistency problem is likely to continue.

ENFORCEMENT ACTIONS REMOVED

Strategic Goal:

Ensure bank safety and soundness

Performance Measure:

"Percentage of Prompt Corrective Action directives, enforcement agreements, and memorandum of understandings removed"

OCC Reported:

In the 1998 mid-year performance plan, OCC reported that 12 percent of memoranda of understanding, formal agreements and Prompt Corrective Action directives outstanding on December 31, 1997 were removed.

Reporting Process:

Specific data on enforcement actions is entered into the SMS by examiners and attorneys at the OCC district offices. Documents supporting the outstanding and removed enforcement actions would be located at these offices. Because exceptions are handled at headquarters, some support may also be located at headquarters legal group or special supervision department. OCC uses 2 SMS reports to calculate the percentage of actions removed. One report lists the outstanding enforcement actions as of a specific date. The other report lists the enforcement actions removed during a specific period.

OIG Analysis:

To substantiate the reported results, OCC headquarters provided us with a nationwide SMS list of enforcement actions outstanding on December 31, 1997. From the list, we identified 48 outstanding Prompt Corrective Action directives, enforcement agreements and memoranda of understanding. OCC headquarters also provided a list of enforcement actions removed in the first quarter of 1998, from which we identified 6 Prompt Corrective Action directives, enforcement agreements and memoranda of understanding. OCC's reported performance was based on the 2 reports provided. To verify OCC's reported performance we examined supporting documents for all 48 actions outstanding and 6 actions removed. We reviewed original documents at the 2 district offices we visited and requested copies of supporting documentation for the remaining actions.

Inaccurate Data

In comparing SMS data and the underlying source documents, we identified inaccurate data in SMS. Of the 48 enforcement actions reported outstanding on December 31, 1997, we identified 4 that should have been removed from the outstanding list. For 1998, we confirmed the 6 removals reported in SMS and identified 1 additional enforcement action that should have been removed.

ENFORCEMENT ACTIONS REMOVED

Eleven of the 48 enforcement actions were reported by the Northeastern and Western districts. For the 2 Northeastern district actions, we determined that 1 should have been removed due to liquidation. For the 6 Western district actions, we identified 1 that OCC terminated on December 31, 1997. This terminated action, however, was still classified as outstanding in SMS. OCC explained that SMS may not have recognized the update entered on the last day of the year when systems were being closed out and that this computer glitch was most likely due to a programming problem.

OCC headquarters and the district offices do not have procedures for verifying the accuracy of SMS data. OCC is in the process of developing a new supervisory management information system.

Conclusion:

OCC did not have sufficient controls to ensure that all the data was entered and entered correctly. We found that the number of enforcement actions reported as outstanding and removed was slightly inaccurate. Of the 48 outstanding actions OCC reported as of December 31, 1997, we identified 4 that should have been removed. OCC reported 6 enforcement actions removed in the first quarter of 1998, but we identified 1 additional action that should have been removed. Therefore, our observed performance for actions removed was 7 of 44 (16%). The data accuracy problem will likely continue until sufficient controls are added. Moreover, OCC needs to ensure that the new automated management system has controls to ensure that data entered on December 31 is included.

CUSTOMER SATISFACTION WITH LICENSING PROCESS

Strategic Goal:
Foster Competition

Performance Measure:
"Rating on customer satisfaction in connection with the licensing process"

OCC reported:
In the mid-year 1998 performance plan, on a scale of 1 to 5 with 1 being best, OCC reported a rating of 1.17.

Reporting Process:
OCC officials explained that the licensing staffs at district offices sent out survey questionnaires with application decision letters and asked applicants to rate OCC's quality of service. For large banks and a few regional banks, customer service surveys were sent quarterly. Responses were mailed or faxed to OCC headquarters, where rating results were entered into a spreadsheet and reviewed by OCC. OCC estimated the response rate to be between 30 and 35 percent, with a higher response for large banks.

OIG Analysis:
We interviewed OCC officials on data collection and control processes and examined survey documentation, including completed surveys. We traced the computed ratings back to individual responses and found them to be accurate overall. We found that the methodology for determining performance results may not be appropriate. Table 4 below shows OCC's 1998 survey of 5 questions and the average ratings. The rating reported by OCC for performance measurement was based on responses to the fifth survey question, i.e., the overall rating.

Table 4
1998 Survey Questions/Responses

	Service Category	Rating
1	Timeliness of Decision	1.17
2	Appropriateness of Filing Location/Contact Person	1.21
3	Knowledge of OCC Contact	1.21
4	Professionalism of OCC Staff	1.15
5	Overall Rating of Service	1.17

CUSTOMER SATISFACTION WITH LICENSING PROCESS

Incomplete Data

The OIG statistician opined that because survey non-responses occur for a variety of reasons, statistically it is not valid to measure customer satisfaction based on 33 percent response rate without an evaluation of the non-responses. Performance data was incomplete because an evaluation of non-respondents was not included, and this created the potential for bias in the sample. Although the magnitude of the bias is not known, the effects could be substantial.

Conclusion:

Our analysis showed that the rating on customer satisfaction was accurate for the banks that had responded to the survey. However, a portion of the population (the banks that did not respond) was omitted from the sample. Therefore, the sample may not be an accurate model of the population. Treating this survey's responses as random can create bias in the data without evaluating the non-responses. If OCC continues to use this measure, the agency needs to evaluate the non-responses or disclose the response rate in the performance reports.

TIMELINESS OF APPLICATION PROCESSING

Strategic Goal:

Improve the efficiency of bank supervision and reduce burden by streamlining supervisory processes

Performance Measure:

"Percentage time meeting the application processing time frames"

OCC Reported:

In the 1997 performance plan, OCC reported that application processing time frames were met 96 percent of the time.

Reporting Process:

OCC has established target time frames for each application type and tracks the progress of each application. Most applications arrive at district offices via regular mail. OCC date-stamps the date received, screens the application and logs the application data into CAIS and assigns the application to an analyst for review. Target time frames are used for performance measurement. To evaluate timely processing of applications, OCC used the existing target time frames as performance indicators.

OIG Analysis:

We focused on OCC activities and performance data for CY 1997. We reviewed the data collection and control processes by interviewing OCC personnel at headquarters and the Western and Northeastern District offices. We conducted 4 tests to assess data reliability.

- We tested the 96 percent on-time completion rate reported by OCC. At OCC headquarters, using a CAIS printout of the 3,066 applications decided in CY 1997, we compared each application decision date with the target date and identified 124 (4 percent) that were not decided before the specified target date. This analysis substantiated OCC's reported 96 percent of applications processed within established time frames.
- We spot-checked the accuracy of the application "received date" and "decision date" entered into CAIS. From the CAIS printout of 3,066 applications decided in 1997, we judgmentally spot-checked 12 applications at the Western District. We reviewed source documents supporting the application received dates and decision dates and found that out of the 12 applications, 2 had incorrect CAIS entries for received dates. At the Northeastern District we spot-checked 2 applications and found no discrepancies.
- As an additional test of data accuracy, we judgmentally selected 138 applications from the 3,066 decided in 1997 and reconciled dates in CAIS to dates on source documents. Our testing identified 14 minor discrepancies, such as a 1 day difference between the decision date in CAIS and the date on the source document or a difference between the received date in CAIS and the date on the source document. These discrepancies did not affect performance results for 1997.

TIMELINESS OF APPLICATION PROCESSING

- We also reviewed the CAIS printouts for the 124 late applications and used the comment section to determine whether the cause of delay was within or outside the control of OCC. Applications without any comments were assumed to be late due to causes within the control of OCC. We did not include “dividend approval” or “after-the-fact subsidiary” applications. Out of the 124 late applications, we identified 66 that missed the target decision dates due to factors outside the control of OCC. Legal and supervisory concerns, such as (1) protests against an application by competitor banks and (2) failure of a bank to provide information to OCC in a timely manner, are examples of factors that slow down the application process.

Conclusion:

We found that OCC processed 2,942 of the 3,066 applications (96 percent) timely. However, OCC understated its actual performance. OCC incorporated outside causes into the performance results and did not disclose this limitation in reports. Consequently, the reported performance did not truly represent OCC’s actual performance.

COMMUNITY DEVELOPMENT LENDING

Strategic Goal:

Assure fair access to financial services for all Americans

Performance Measure:

"Amount of community development lending by national banks"

OCC Reported:

In the mid-year 1998 Performance Report, OCC did not report Community Redevelopment Act (CRA) lending data for this measure.

Reporting Process:

OCC obtained CRA national performance data from a publication by FFIEC, *CRA Aggregate and Disclosure*. OCC had planned to use this database for reporting performance data. Financial institutions report this information directly to the FFIEC. However, during bank compliance examinations, OCC examiners reviewed the collection and reporting of CRA lending data and discovered numerous errors. OCC decided not to use the data for performance reporting.

OIG Analysis:

We interviewed cognizant OCC officials who told us that the FFIEC *CRA Aggregate and Disclosure* for CY 1996 and 1997 contained errors and that data accuracy problems would be ongoing. We reviewed the FFIEC publications and OCC's Advisory Letter AL 98-16.

Inaccurate Data

During large bank examinations, OCC examiners found errors in the collecting and reporting of CRA lending data. OCC's initial response to the CRA accuracy problem was to issue Advisory Letter AL 98-16, dated October 20, 1998. According to AL 98-16, numerous errors were detected in the banks' collecting and reporting of CRA lending data, as prescribed under 12 CFR 25.42. For instance, examiners found that banks were reporting loans that did not meet the definition of community development in 12 CFR 25.12. Additionally, banks were reporting loans as both a small business loan and a community development loan. OCC envisions that developing accurate CRA data will be a gradual process accomplished by ongoing data evaluations at each bank.

Incomplete Data and Limitations Were Not Disclosed

FFIEC data generally does not include banks with assets less than \$250 million. "Small" banks, as defined in 12 CFR 25.12(t), are not subject to CRA data collection and reporting requirements. Therefore, the community development lending by these banks would not be included in FFIEC data. Thus, when using FFIEC data as a source, OCC needs to disclose this data limitation in performance plans and reports.

COMMUNITY DEVELOPMENT LENDING

Conclusion:

OCC identified that the data for this measure was not accurate and took appropriate corrective action. Once the data accuracy issue is resolved, OCC needs to disclose the CRA reporting limitations.

COMMUNITY DEVELOPMENT INVESTMENT

Strategic Goal:

Assure fair access to financial services for all Americans

Performance Measure:

"Amount of community development investment by national banks"

OCC Reported:

In the mid-year 1998 Performance Report, OCC reported \$1.0 billion of community development investments by national banks and projected \$1.1 billion for CY 1998.

Reporting Process:

OCC's Community Development Division (CDD) collects the data used for this performance measure. National banks submit community development investment proposals that are required under 12 CFR 24 to CDD for approval. CDD staff reviews the proposals to ensure they meet the CFR requirements and enter the approved amounts in OCC's automated CDD National Bank Investment Proposal Tracking System. The system does not include other non-regulatory community development investment data. CDD generates mid-year and annual *Community Development Investment Summary: Nationwide* reports from the system. The reports include approved investments by national banks and the banks' investment partners.

OIG Analysis:

We reviewed data reported in OCC's *National Bank Investment Summary: Nationwide* as it related to the performance measure and identified 1 instance of incomplete data and 3 instances of inaccurate data. The data limitations were not disclosed in the performance reports.

Incomplete Data

CDD officials said OCC does not currently have a process in place to collect and report the total actual amount of community development investment by national banks. The collected and reported community development investment data in the *National Bank Investment Summary: Nationwide* report was based on proposed investments that were approved during the time frame specified rather than investments that were actually executed. The amount reported may represent a small percentage of what national banks actually invested in community development. Therefore, the majority of community development investments were not covered by 12 CFR 24, were not reported and were not considered for performance measurement.

At the regional level, we also found large differences for 4 banks using another data source provided by CDD and OCC Northeastern District staff. As Table 5 below shows, large differences existed between what banks proposed to invest according to 12 CFR 24 and what was actually invested in community development.

COMMUNITY DEVELOPMENT INVESTMENT

Table 5
Bank Investments Reported Under 12 CFR 24
Compared to
Actual Community Development Investments
for 4 Banks
(\$ in thousands)

Institution	Investments		Reported Period
	12 CFR 24	Actual	
1. Large size	\$809	\$88,519	1/01/96 – 3/31/98
2. Large size	0	28,400	1/01/97 – 6/30/98
3. Mid-size	0	7,069	1/01/96 – 10/30/97
4. Small size	0	2,700	2/24/95 – 12/31/96
Total	\$809	\$126,688	

Source: OCC headquarters officials and CRA Performance Evaluations

As illustrated, the amount covered by 12 CFR 24 for the 4 banks was \$809 thousand or less than 1 percent of what the banks actually invested in community development. OCC has neither a mechanism to capture actual investment data nor uniform data to capture. Therefore, the investment data discussed is not appropriate for performance measurement.

Inaccurate Data

The investment data OCC collected was based on proposed investments of the banks and their partners. Table 6 shows the amounts reported for CY 1997 and mid-year 1998 in the National Bank Investment Summary, which were substantially greater than what the national banks actually invested.

Table 6
Community Development Investments
National Banks and Other Funding Sources
(\$ in millions)

Community Development Investment Source	CY 1997		Mid-year 1998	
National Bank Investments	\$418	42%	\$951	36%
Others	577	58%	1,717	64%
Total		100%	\$2,668	100%

Source: OCC National Bank Investment Summaries, CY 1997 and mid-year 1998

COMMUNITY DEVELOPMENT INVESTMENT

The national banks' proposed investments were 42 percent of the \$995 million OCC reported for CY 1997 and 36 percent of the \$2,668 million reported for mid-year 1998. According to CDD managers, the banks' partners were included in the reported amounts because the national banks were the lead investors and the partners' investments also contributed to OCC's strategic goal of assuring fair access to financial services for all Americans.

The data reported in the National Bank Investment Summary reports covers all 12 CFR 24 investment proposals approved by OCC during that timeframe. However, there may be a timing difference between OCC's approval date and when the funds were actually invested. CDD managers said that the actual investment may occur in later years. Therefore, the reported amounts for a given period may differ substantially from the actual investments made during that same period.

We found that the amounts reported in the investment summary report for mid-year 1998 were not accurate due to data entry errors. The \$2.7 billion in investments reported by OCC for mid-year 1998 was based on 100 investment proposals submitted to OCC by national banks. We randomly selected 44 investments and traced them to the original proposals submitted to OCC. We found 3 data entry errors, which resulted in OCC overstating total community development investments by \$347 million or 15 percent more than the \$2.3 billion actually proposed. CDD managers told us that data entered into the community development tracking system is verified by CDD staff and subject to supervisory review.

Conclusion:

The difference between what OCC shows in its performance reports and the actual amount that national banks invest in community development is unknown because OCC does not track the actual investments on an annual or national basis.

If OCC continues to report the investments under 12 CFR 24 for this measure, it may be appropriate to disclose in performance reports the data limitations discussed. These include (1) that only community development investments qualifying as 12 CFR 24 are reported, (2) that investments by project partners were included in community development investments, and (3) reported investments for given periods reflected approved investment proposals rather than actual investments made. OCC also needs to revisit its data verification process if the agency continues to report 12 CFR 24 data for this measure.

HOME MORTGAGE LOANS TO LOW TO MODERATE INCOME PERSONS

Strategic Goal:

Assure fair access to financial services for all Americans

Performance Measure:

"Amount of home mortgage loans to Low to Moderate Income (LMI) persons and areas"

OCC Reported:

In the mid-year 1998 Performance Report, OCC did not report CRA lending data for this measure.

Reporting Process:

During bank compliance examinations, OCC examiners verified the collection and reporting of CRA lending data. OCC obtained CRA national performance data from a publication by FFIEC, *CRA Aggregate and Disclosure*. OCC planned to use this database for reporting performance data.

OIG Analysis:

We interviewed cognizant OCC officials who told us that the FFIEC *CRA Aggregate and Disclosure* for CY 1996 and 1997 contained errors and that data accuracy problems would be ongoing. We reviewed the FFIEC publications and OCC's Advisory Letter AL 98-16.

Inaccurate Data

During large bank examinations, OCC examiners found errors in the collecting and reporting of CRA lending data. OCC's initial response to the CRA accuracy problem was to issue Advisory Letter AL 98-16, dated October 20, 1998. According to AL 98-16, numerous errors were detected in the banks' collecting and reporting of CRA lending data, as prescribed under 12 CFR 25.42. For instance, examiners found that banks were reporting loans that did not meet the definition of community development in 12 CFR 25.12. OCC envisions that developing accurate CRA data will be a gradual process accomplished by ongoing data evaluations at each bank.

Incomplete Data and Limitations Were Not Disclosed

FFIEC data generally does not include banks with assets less than \$250 million because "small" banks, as defined in 12 CFR 25.12(t), are not subject to CRA data collection and reporting requirements. Therefore, the home mortgage LMI lending by these banks would not be included in FFIEC data, even though institutions with more than \$29 million in assets for CY 1996 and 1997 were required to report under Home Mortgage Disclosure Act (HMDA). Thus, when using FFIEC data as a source, OCC needs to disclose this data limitation in performance plans and reports.

HOME MORTGAGE LOANS TO LOW TO MODERATE INCOME PERSONS

Conclusion:

OCC identified that the data for this measure was not accurate and took appropriate corrective action. Once the data accuracy issue is resolved, OCC needs to disclose the CRA reporting limitations.

COMPLIANCE EXAMINATIONS CONDUCTED

Strategic Goal:

Assure fair access to financial services for all Americans

Performance Measure:

"Percentage of national banks receiving compliance examinations"

What OCC Reported:

In the 1998 mid-year performance report, OCC reported that compliance examinations were conducted for 8 percent of national banks or 216 out of 2,600. OCC projected that by the end of CY 1998, compliance examinations would be conducted for 38 percent of the national banks.

Reporting Process:

The compliance examination data reported by OCC is extracted from SMS. The 2 districts we visited had different processes for inputting the data into SMS. At the Northeastern District, examiners or analysts enter into SMS the date that the final report is submitted to the district office for review. The exit memorandum is the best document in the workpapers to support this date. District analysts may review the quarterly ADC Examination Priority Analysis worksheet and Snapshot Report to identify any incorrect dates entered into SMS.

At the Western District, the compliance examiner enters data into SMS on an ongoing basis. When the examination is completed, the report is reviewed by the examiner-in-charge, the supervisory examiner, and the supervisory office analyst or ADC office. At each level of review SMS data may be verified. Either the supervisory office analyst or ADC office enters the examination close date into SMS, although no specific document is designated to be used consistently as support for the close date.

OIG Analysis:**Inaccurate Data**

OCC reported 216 examinations in the 1998 mid-year performance plan, but a more current SMS list of compliance examinations showed that actually 251 examinations were completed, or 35 more than reported. OCC officials told us the districts did not record examination dates in SMS as promptly as they should have and that in some cases examiners delayed entering closing dates for up to several months. SMS did not include sufficient controls to ensure that data was entered timely or that data was verified.

Inconsistent Data

In addition to verifying the number of examinations, we compared SMS data to source documents for a sample of banks at the 2 districts visited.

COMPLIANCE EXAMINATIONS CONDUCTED

At the Northeastern District we sampled 17 (out of 33) banks and examined source documentation to verify closing dates of compliance examinations entered into SMS. To support the closing dates of compliance examinations, OCC provided various documents. The documentation provided most frequently was the Exit Meeting Agenda or some other documentation to support the date of the exit meeting. Another date used was the date the examiner-in-charge gave the Report of Examination to the supervisor. Three of the closing dates in SMS were supported. The rest did not agree with SMS, although 16 of the 17 were within the same quarter.

At the Western District we sampled 12 (out of 27) banks and found that exit memorandums were most frequently used to support SMS data. Most dates generally agreed, although 3 were between 30 to 60 days apart.

The underlying problem was that existing OCC guidance, *EC-263 SMS Documentation Policy* dated December 1992, provided general information but did not specify the source documents or events that should be used. For example, the document defined examination starting and closing dates as follows:

- “Exam Start Date is the date the examination activity commenced, that is, the date examiners began work in the bank or began reviewing data for examination.”
- “Exam Close Date is the date examination activity is complete and the analysis comments are ready for review by the signing authority.”

Conclusion:

Our analysis showed that OCC understated the percentage of national banks receiving a compliance examination. More specifically, OCC systems did not ensure that the data reported was (1) accurate because data was not input timely, (2) consistent because SMS guidance did not specify the precise document or event for starting or closing examinations. The accuracy problem will likely continue until OCC develops controls to ensure that the data is input timely. Without guidance clearly specifying the examination start and close dates, the consistency problem is likely to continue.

BANKERS SATISFACTION INDEX

Strategic Goal:

Ensure bank safety and soundness

Performance Measure:

"Ratings on the Bankers Satisfaction index"

What OCC Reported:

In the CY 1997 performance report, OCC reported a rating on the Bankers Satisfaction index of 1.27 on a rating scale of 1 to 5 with 1 being the best.

Reporting Process:

OCC sends out a rating questionnaire to banks with the Report of Examination. The response rate from small and mid-size banks has been good but large bank response has been poor. OCC estimates the response rate from all banks between 60 and 65 percent. To improve the large bank rate of response, OCC devised and implemented a large bank questionnaire that is hand-delivered to management. All banks return questionnaires directly to the Ombudsman's office in Houston, Texas. To assure the confidentiality of information, access is restricted to Ombudsman office personnel. Questionnaire responses are reviewed and entered into an automated system. Data is reconciled periodically to ensure accuracy and completeness. OCC conducts a semi-annual analysis of questionnaires received. An annual report is prepared from compiled response data and a bankers satisfaction index number is derived. The index number is an average of the ratings provided on returned questionnaires. To ensure data quality, the compiled data is verified by an independent office before the annual report is finalized.

OIG Analysis:

To test OCC's reported performance for CY 1997, we selected a judgmental sample of 50 out of more than 1,270 completed questionnaires and compared responses with data entered into the automated system. In testing the data, we did not encounter any errors in the database. We also reviewed reports of independent data verifications.

Conclusion:

As a result of practices implemented at the Ombudsman's office, performance data reported was reliable and valid. OCC has also addressed the issue of improving the questionnaire response rate in a continuing effort to improve the quality of performance data.

MANAGEMENT RESPONSE



MEMORANDUM

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

To: Dennis S. Schindel, Assistant Inspector General for Audit

From: John D. Hawke, Jr., Comptroller of the Currency

Date: January 24, 2000

Subject: Draft Audit Report - OCC's GPRA Performance Data

We received your draft audit report entitled *Audit of OCC GPRA Performance Data Reliability and Validity* on December 20 and thank you for the opportunity to review and comment on it. The report summarizes an audit of the OCC's systems and controls to ensure that performance information reported under the Government Performance and Results Act of 1993 (GPRA) is reliable and valid. The audit included a review of 10 of the performance measures in use by the OCC in 1998. The report provides examples of inaccurate, inconsistent and incomplete performance data and the factors contributing to data errors. The report also concludes that data limitations are not disclosed. Accordingly, the report makes six recommendations designed to improve the OCC's performance data.

We agree with the findings and the recommendations. As noted in the report, the OCC is continuing to refine its performance measures to better meet the Results Act goals for the year 2000. Of the ten measures you reviewed, four have been restated as shown in the following table:

Current Measure	Measure Used in 1998
100% of community and mid-size bank examinations are conducted within time frames of examination guidelines	Percentage of examinations started on schedule
100% of critical work outlined in large bank, mid-size bank and federal branch/agency strategies is completed.	

MANAGEMENT RESPONSE

90% of enforcement actions against banks meet policy time frames; i.e., the time frame from the date the supervisory office receives the recommendation for action to the date OCC presents the action to the bank	Percentage of enforcement actions removed
Enforcement actions (formal and informal) are in place or pending in all 4- and 5-rated banks	
95% on-time performance is maintained for applications	Percentage of time meeting the application processing time frames
Results of examination questionnaire analyses disseminated throughout the agency within 90 days of the close of the evaluation period	Ratings of bank satisfaction index

Of the remaining six measures that your audit reviewed, five are no longer used and one has been converted to a customer service standard. These actions were taken primarily in response to the feedback you provided during the audit -- that we use and fully describe meaningful performance measures. The restatements especially are consistent with your recommendation 1-4 that we disclose limitations or more accurately describe the data being used.

To improve consistency in data entry, timeliness and source documents (recommendations 1-1, 1-2, and 1-3), our Bank Supervision supervisory data unit provides quarterly reports to the districts and requests explanations for apparent non-compliance with examination schedules and enforcement policies. Over time, this has served to reduce instances of missing information and increased the timeliness of data entry. In addition, our Bank Supervision quality assurance unit has implemented a program of data integrity reviews and gives a quarterly data integrity award to the district with the fewest exceptions in the Supervisory Monitoring System. For the second quarter of 1999, all of the districts achieved a minimum accuracy rate of 90%.

To centrally assign responsibility for the OCC's GPRA efforts (recommendation 1-5), we are moving formal responsibility for OCC planning into the Deputy CFO organization to ensure consistent leadership and staffing. In addition to facilitating better alignment of the planning and budget processes, we anticipate further consideration of your audit recommendations as we continue to perform GPRA requirements.

With respect to your recommendation (1-6) that we identify other critical reporting requirements that would be adversely affected by the data deficiencies described in your report, we are not aware of any other critical reporting requirements that are not directly tied to the Results Act or the CFO Act. Similar data and measures are used to prepare reports under both acts. Responsibility for CFO reporting also rests with the Deputy CFO organization.

Finally, we would like to take this opportunity to make a general comment about the presentation of the audit results. In the introduction to the section entitled "Audit Results," you observe that

MANAGEMENT RESPONSE

OCC has made notable progress toward developing performance measures and using these measures to manage. Thus, we find it somewhat disappointing that the individual audit findings present an entirely negative picture of our work. This emphasis on the negative is most clearly exhibited by the table of contents, which gives the impression that the audit team found nothing positive in reviewing our work. We have found the insights of the audit team invaluable and we plan to continue working closely with them to improve our performance measures. We hope that future audit reports will better reflect OCC's commitment to both full cooperation and continual improvement.

Again, thank you for the opportunity to review and comment on the draft report.

MAJOR CONTRIBUTORS TO THIS REPORT

U. S. Department of the Treasury Office of Inspector General

Benny W. Lee, Director, Program Audits

Linda G. Darby, Audit Manager

Ray B. Armada, Auditor-In-Charge

John B. Mansfield, Auditor

Gerard C. Vroomman, Auditor

James Craik Tucker Wells, Auditor

Heshmat Ansari, Statistician

Sandeep S. Aujla, Audit Intern

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OIG Budget Examiner